

Annual Report **2015**

**STAYING**

**CONNECTED**





# Letter from the CEO

STAYING CONNECTED TO OUR MEMBERS & COMMUNITY

**R. G. Brecheisen**, President & Chief Executive Officer

New technologies are changing member expectations in the electric utility business – members not only want better control over their energy bills but would like to receive co-op communications differently. Fortunately, through the deployment of our automated metering system, our members have greater control over their electric costs with access to their daily energy usage through SmartHub, a portal on our website. SmartHub also provides account access and co-op information on desktop, tablet and mobile devices. We know that we can harness the power of these new technologies to not only meet member expectations, but strengthen the cooperative and member relationship. By staying connected to our members, we ensure that we deliver more than electricity to your lives.

**I** have served Piedmont Electric Membership Corporation for nearly 34 years, and in my time here, our mission has remained constant – to provide safe, reliable and affordable electricity to our members. We are also committed to preparing for the future in a way that strengthens relationships with our members, anticipates change and seizes new opportunities.

We have connected each and every one of our members through more than 3,500 miles of line throughout our six county service territory – delivering safe and reliable electricity to your homes, schools and businesses. This electricity enables you to power your lives and stay connected to what matters most to you.

For decades, our members have expected high reliability of their electric service at a low price because it is so essential to their quality of life. Through focus groups, we have learned our members want greater control and choice in how they manage energy consumption and interact with their utilities. Thanks to new technologies and digital tools, Piedmont Electric has already initiated efforts to improve the

**“We will do everything we can to be your valued, trusted energy provider, and while the world and technologies will continue to change around us, Piedmont Electric will be prepared for the future because we’re connected with our members and communities.”**

customer experience and control over their bill, as well as strengthen our role as a trusted energy advisor.

This new technology helps members make more efficient use of energy, and paves the way for new products and services. In 2015, solar power became a focus, with electric cooperatives leading the way!

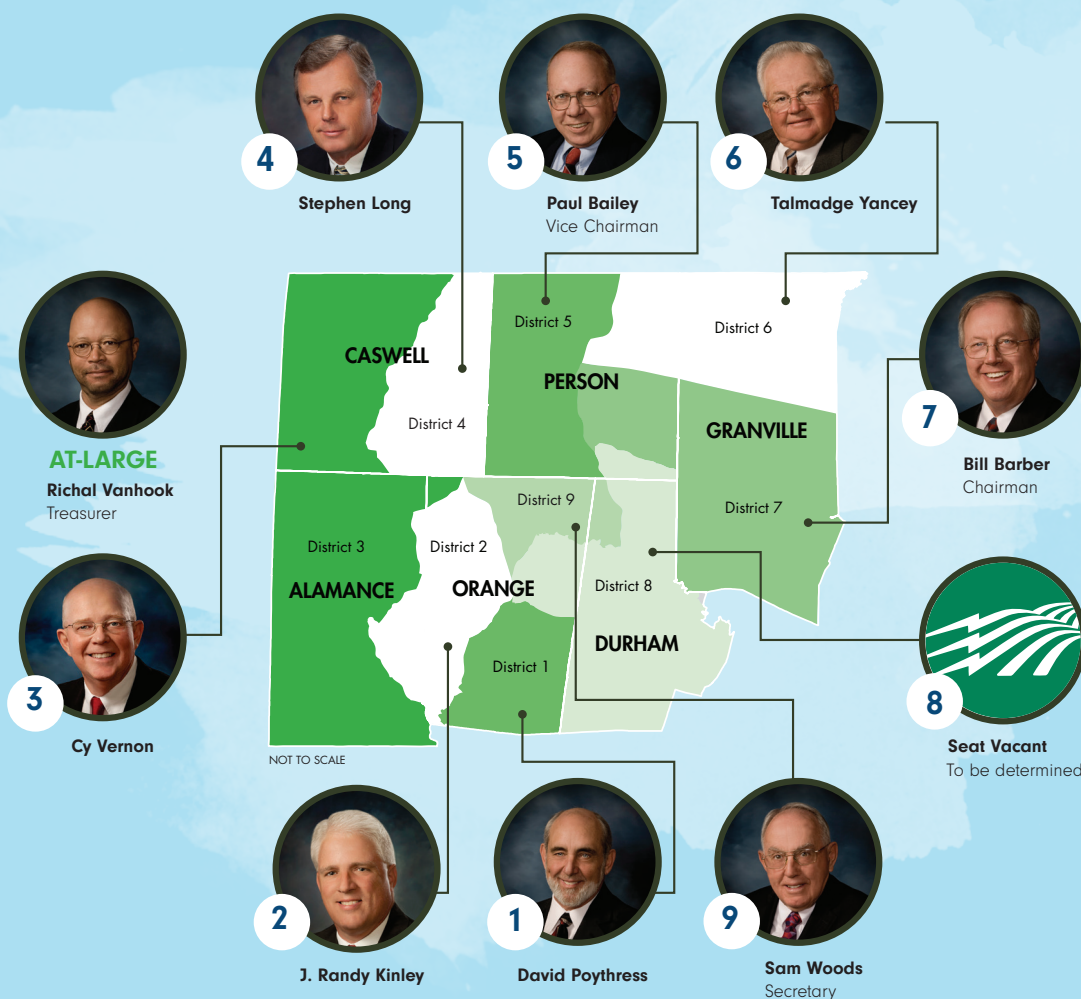
In North Carolina alone, co-ops distribute about 240 megawatts of solar power. In December, Piedmont Electric completed construction of two solar fields in Roxboro and Caswell as part of our new community solar program, set to launch in April 2016. Solar energy is important to our members as well as the energy future for our state. We want to encourage its development in ways that are fair to all members.

In a lot of ways, 2015 was a groundbreaking year for Piedmont Electric. It was a year in which we set new foundations for growth and made plans to be a successful and connected energy provider for years to come. Piedmont Electric will continually work to ensure that you have the best member experience possible. We will do everything we can to be your valued, trusted energy provider. While the world and technologies will continue to change around us, Piedmont Electric is prepared for the future and prepared to stay connected with our members and communities.



# Board of Directors

PROVIDING PLANNING AND POLICY OVERSIGHT



**Bill Barber,**  
 Chairman of the Board

The board and I are always excited this time of year, when we proudly present the annual report for Piedmont Electric, a locally owned and operated business that follows the cooperative principle of democratic control. As Chairman of the Board, I help lead the cooperative board – made up of members like you and I – local citizens who keep the needs of our communities in mind. This report is one of many ways Piedmont Electric, and this board, communicate the goals and results of this cooperative.

The primary objective of the board is to provide planning and policy oversight, develop long-term objectives for Piedmont Electric and ensure that this organization has everything it needs to be successful. We work closely with the CEO and senior

staff to evaluate and measure the results of cooperative functions and promote initiatives that deliver what our members want. We also work closely with the member-owners of Piedmont Electric in our communities. We listen to the members and make decisions that are in the best interest of all members.

Beyond the monthly meetings to review cooperative progress and make strategic decisions, we continue to educate ourselves on the increasingly complex nuances of the energy business, so we can make the best possible decisions for you and the cooperative. It is with great pleasure that the Piedmont Electric Board of Directors and staff present the 2015 Piedmont Electric Annual Report.

# Connecting *with our Members*

We have harnessed the power of new technologies to provide additional benefits and services, strengthening our cooperative and member relationship. By staying connected to our members' needs, we ensure that we deliver more than electricity.

Advances in technology have enabled us to better connect and communicate with our members. This is why we offer everything from online bill pay, usage monitoring and newsletters to keep you better informed. By empowering our members with information, tools and technology, we put the power in your hands to make wise energy choices and help you save money!



In addition to offering a printed and online member newsletter, we began offering a digital version of our monthly newsletter for tablets in June 2015.



**1,265**  
"LIKES"



**521**  
FOLLOWERS



**623**  
ONLINE SERVICE  
REQUESTS



**124,462**  
VISITS AT  
WWW.PEMC.COOP



**SmartHub**, our online bill pay service, not only provides convenient account access via your mobile device, tablet or desktop computer, but provides daily energy usage monitoring. In 2015, there were more than 34,000 bill payments made using this service. More than 14,000 members have enrolled in SmartHub.

## THE COOPERATIVE DIFFERENCE

Piedmont EMC is a locally owned and operated electric cooperative serving 31,380 members in Alamance, Caswell, Durham, Granville, Orange and Person counties. We are owned by those we serve – that's why those who receive electric service from us are called members, not customers. We are a not-for-profit business, which means our rates cover the cost of doing business and are not marked up to generate a profit. As a matter of fact, any margins made are returned to members as a capital credit. Since 1975, Piedmont EMC has returned over \$21.3 million in capital credits to our members. At the end of the day, the cooperative difference is about understanding our responsibility to our members.

### KEEPING ELECTRICITY RELIABLE IN 2015

- Power stayed ON for 99.98% of the time in 2015.
- Added 289 meters and 13.14 miles of underground line.
- Invested almost \$11 million in our electrical grid system, including the upgrade of 4 substations.

### KEEPING ELECTRICITY SAFE IN 2015

- Crews cleared 650.5 miles of right-of-way as part of our aggressive maintenance plan to ensure safety and service reliability.

### KEEPING ELECTRICITY AFFORDABLE IN 2015

- We saved close to \$1.5 million in wholesale power thanks to our members who stepped up to reduce our peak by enrolling in our energy efficiency programs (*see below*). These savings are applied as a rate reduction to members through the Wholesale Power Cost Adjustment (WPCA) on your bill.
  - 6,250 members participated in HVAC Load Control Program
  - 650 members participated in Time-of-Day Program
  - 455 members participated in Beat the Peak Program
- Performed 280 free energy audits, 150 for high usage.
- Provided \$15,262 in energy efficient rebates to 97 members.
- Provided \$235,879 to 43 members in energy efficiency loans.



# Connecting *with our Community*

We stay connected to the groups and programs that serve our community. We invest in our region's future by supporting everything from volunteer fire departments to local emergency medical services, food banks, blood drives and educational foundations. In 2015, we donated almost \$12,000 to local organizations that serve our members and community.

## YOUTH PROGRAMS



**P**iedmont Electric recognizes the importance of shepherding the next generation of our communities through scholarship opportunities. In 2015, we contributed to local youth through:

### BRIGHT IDEAS GRANT PROGRAM

- Awarded more than \$25,000 in grants to 23 local teachers

### COLLEGE SCHOLARSHIPS

- Awarded \$9,000 to six local high school seniors pursuing higher education

### YOUTH BASKETBALL SCHOLARSHIPS

- Awarded 2 local middle school students with scholarships to the Roy Williams Basketball Camp at UNC and the Wolfpack Women's basketball camp at NCSU

### RURAL ELECTRIC YOUTH TOUR

- Sponsored 1 local youth to participate in a week-long conference in Washington D.C.

## REVOLVING COMMUNITY LOAN PROGRAM



In 2015, Piedmont Electric loaned over \$1.3 million to support three community projects in Yanceyville, Rougemont and Caswell County.

Our Revolving Community Loan program is one of the many ways we invest in the future of our communities.

These community loans not only help stimulate local economic development and bring jobs to our communities, but make our communities a better place to raise a family and start a business. Once these loans are repaid, the funds are put in our Revolving Community Loan program to assist with other community projects in the future.

The funding for these loans comes from the USDA. Piedmont Electric is proud to be a part of this important rural economic development program that strengthens our rural communities.

## BLOOD DRIVES



In 2015, Piedmont Electric hosted four American Red Cross blood drives in Orange and Person counties. We welcomed a total of 90 donors and collected 95 units of blood.



# Financials

## REPORT FROM THE TREASURER

**Richal Vanhook, Treasurer**

McNair, McLemore, Middlebrooks & Company, of Macon, Georgia, audited the Consolidated Financial Statements as of December 31, 2015 and 2014. The auditors have issued an unqualified opinion on those statements. The complete Independent Auditor's Report is available for inspection at the

cooperative's headquarters office in Hillsborough, North Carolina.

The Consolidated Balance Sheets and Consolidated Statements of Operations contained in this report are derived from the audited financial statements and reflect a continued strong financial position.

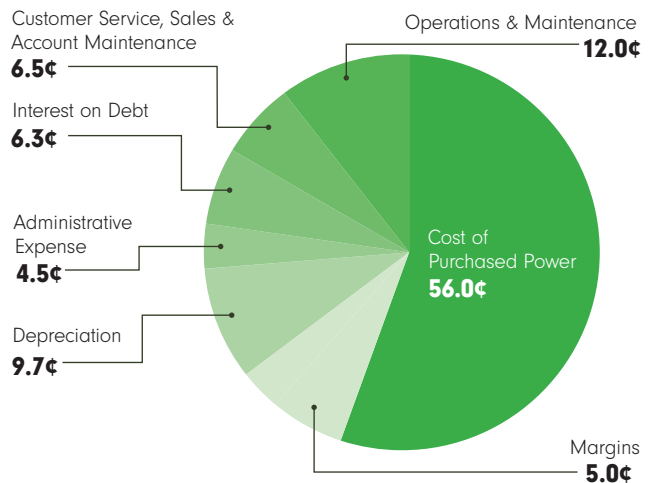
Until retired as capital credits, our 2015 total margins of \$3,253,705 will be used to upgrade and expand Piedmont Electric Membership Corporation's electric system to provide you, our members, with optimum service.

**CAPITAL CREDITS** reflect each member's ownership in Piedmont EMC. Any margins or revenues related to the sale of electric service remaining after all expenses have been paid are allocated to the co-op members in proportion to their electrical use. Below is the allocation, which determines your share of the co-op's margin for 2015.

### YEAR 2015 ALLOCATION PERCENTAGE 5.267%

Excluding Sales Tax, if Your Total Bills Are	Your Capital Credit Allocation Will Be
\$500	<b>\$26.33</b>
\$1000	<b>\$52.66</b>
\$1500	<b>\$79.00</b>

### WHERE EACH DOLLAR GOES



#### CONSOLIDATED STATEMENTS OF OPERATIONS

	2015	2014
Operating revenues	\$62,601,605	\$63,983,054
<b>Operating Expenses</b>		
Cost of power	\$36,234,237	\$37,040,405
Other operating expenses	14,852,774	14,480,444
Net operating margins	11,514,594	12,462,205
Depreciation	(6,293,974)	(6,115,587)
Gross Receipts Taxes	—	(1,038,459)
Interest	(4,049,015)	(4,239,297)
Net non-operating margins	2,082,100	2,026,860
<b>Total Net Margins*</b>	<b>\$3,253,705</b>	<b>\$3,095,722</b>

#### CAPITAL CREDITS

	2015	2014
<b>Capital Credits Retired to Members</b>		
Estate retirements	\$415,368	\$401,475
General retirement	1,269,063	898,149
<b>Total Retired</b>	<b>\$1,684,431</b>	<b>\$1,299,624</b>

#### CONSOLIDATED BALANCE SHEETS

	2015	2014
<b>Assets</b>		
Total net utility plant	\$145,533,893	\$141,964,741
Other property and investments	10,495,162	8,868,782
Current assets	9,682,542	11,192,649
Prepaid expenses and deferred charges	4,740,278	5,358,167
	<b>\$170,451,875</b>	<b>\$167,384,339</b>
<b>Members' Equity and Liabilities</b>		
Members' equity	\$54,883,305	\$53,138,269
Noncurrent liabilities	100,087,760	97,277,208
Current liabilities	12,504,014	13,320,883
Deferred credits	2,976,796	3,647,979
	<b>\$170,451,875</b>	<b>\$167,384,339</b>

#### AT YEAR ENDING...

	2015	2005	1995
Miles of line energized	3,523	3,362	2,819
Number of members served	31,380	29,996	22,683
Total kWh purchased	509,730,127	490,374,714	328,486,642
Total kWh sold	475,685,256	457,397,245	304,172,612

\*These amounts are calculated on historic data and may not reflect future capital credits.



# Powering *our Future*

## COMMUNITY SOLAR

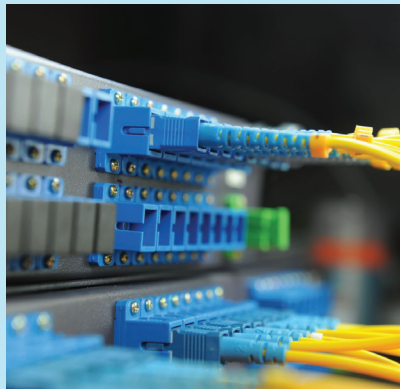
In 2015, construction was completed on two solar fields – one at our Roxboro office and one at our Caswell office. In April 2016, members will be able to subscribe to the energy output from solar panels, as part of our Community Solar Program. This solar project represents a lower cost (and lower risk) way for many of our members to get involved with solar technology. In fact, it is one of the few ways renters can invest in solar panels.

As your trusted energy provider, we invest in infrastructure and technology that will serve the cooperative now and in the future. The energy industry is in the midst of an unprecedented period of transition. As this energy revolution unfolds, a modern, interconnected and reliable electric grid has never been more important. America's electric cooperatives, like Piedmont Electric, are not only leaders in renewable energy, but we are deploying advanced communication and automated technologies to improve services, increase reliability and control electricity costs for members.

## CONNECTING TO THE FUTURE



We plan to begin construction of the new Mebane Oaks Substation and Transmission Line in 2016, with plans to energize the station in early 2017. This station will provide power and increase reliability for members in the growing Mebane, Efland and southwest Hillsborough areas.



We are in the process of installing fiber optic cable from Roxboro to Hillsborough and to the nine substations that are between the two offices. The fiber will improve data transfer and provide better backup capabilities for IT systems. The fiber will also allow us to provide a high speed communication path for our Supervisory Control and Data Acquisition (SCADA) system, which controls equipment in our substations and also collects data on the power flows.



We plan to begin installation of the infrastructure for our new AMI system. The new system will allow us to have bidirectional communications with our meters, which will improve outage restoration, distribution automation and energy usage information.

**STAYING  
CONNECTED**

**TO WHAT  
MATTERS MOST**